

Department of Community Services and Development Readiness Review Table

Overall Assessment: Despite the Community Services and Development Department's (CSD) efforts to ensure readiness for the American Recovery and Reinvestment Act (ARRA) funds, its environment prohibits the determination of full readiness. CSD's experience with managing federal programs in general, and specifically the ARRA funded programs, indicates they are well qualified to receive, expend and oversee ARRA funds. Further, CSD has been proactive in identifying high-risk grantees, developing training and technical advice (T&TA), and preparing its staff. However, CSD is vulnerable to significant risks that are outside the span of their control. A likely requirement to comply with the Davis-Bacon Act, and the lack of administrative funding for the Community Services Block Grant (CSBG) grants may negatively impact their ability to comply with ARRA requirements.

Recommendation: We recommend CSD work with program stakeholders to comply with the Davis-Bacon Act requirements in their Weatherization Assistance Program (WAP). CSD should continue efforts to mitigate the lack of administrative funds for their CSBG. CSD should conduct a self-assessment of their program and fiscal activities that relate to their ARRA responsibilities and add all ARRA related requirements to their standard agreements. Finally, CSD should review their policy of providing advance funding to ARRA grantees without a needs based criteria for approval.

Department Response: CSD is taking a leadership role to develop a framework for the implementation of the federal prevailing wage standard for weatherization jobs in California, even while awaiting the specific wage determination from the U.S. Department of Labor. CSD has a long history of meeting all of its program and fiscal responsibilities on a very limited administrative budget, and leverages the administrative funds from all of its programs to maximize the efficiency of shared business processes including fiscal management, monitoring, information technology and business services. As described more specifically below, CSD is completing a risk assessment of the department and the network. The ARRA contracts which will be released upon receipt of legislative expenditure authority fully described the ARRA responsibilities of CSD and the local providers, and include a needs-based justification and timely repayment of all advance funding.

Expectation Met	Comments	10 Day Corrective Action Plan
Oversight and Fraud Prevention		
Knowledgeable about departmental oversight responsibility	<p>P</p> <p>Knowledgeable about their oversight responsibility. ARRA funding to be disbursed through existing programs. However, the CSD previously had a federal exemption to the prevailing wage law (Davis-Bacon Act) for the Weatherization Assistance Program (WAP). The CSD will likely lose the exemption and will be required to comply with the Davis-Bacon Act. This would significantly impact CSD's ability to provide oversight, due to the lack of experience in prevailing wage law within WAP. In addition, the lack of administrative funds for the Community Service Block Grant (CSBG) grant may limit CSD's audit coverage and monitoring capabilities. These issues are further addressed below under the Challenges Identified by the Department.</p>	<p>6/1/2009 CSD is fully knowledgeable of our oversight responsibility for the federal DOE WAP, CSBG and Lead grants that are funded by ARRA. State DOE WAP administrators in all fifty states are awaiting the official wage determination for weatherization jobs from U.S. Department of Labor. While awaiting the federal determination, CSD is collaborating with other state agencies and statewide stakeholder groups to develop a statewide framework for implementing prevailing wage in a manner that benefits the outcomes of the DOE WAP program, the workers with whom the local providers hire or subcontract, and the emerging green collar economy in California. Through effective organizational design and workload management, CSD consistently and effectively meets its monitoring, fiscal and other administrative responsibilities under limited federal funding for those costs.</p>

	Expectation Met	Comments	10 Day Corrective Action Plan
Clear guidance has been received from federal agency on departmental oversight roles and responsibilities for funds provided directly to localities	N/A	There are no funds provided directly to localities that the department is responsible for oversight.	
Departmental risk assessments prepared and ARRA risks are addressed	N	Has not conducted a formal self-assessment of risks related to their ARRA responsibilities.	6/1/2009 CSD recommends that this be changed to a "P." CSD's Audit Services Unit (ASU) has completed an internal risk assessment of the department, which supplements the risks identified in this report. CSD will complete a risk assessment of the local providers no later than June 30, 2009. The results of the risk assessment will be addressed through appropriate training, capacity building and contract conditions, to minimize any significant risks for the timely and proper expenditures of ARRA funds.
Communication with federal oversight agency	Y	Weekly meetings with all staff involved in ARRA funding are held. Daily communication with federal oversight agency.	
Administrative costs established with federal oversight agency	Y	The federal oversight agency is allowing CSD 5 percent in administration costs with ARRA funds for the Healthy Homes and Lead Hazard Control (HHLHC) grants and WAP. However, no administration costs are allowed for the CSBG.	
Fraud awareness training	P	Reserved funding (not ARRA funding) for federal training opportunities for both program and fiscal staff, but no training was provided as of the date of this review.	6/1/2009 : A certified fraud specialist will be conducting fraud awareness training for all CSD program and fiscal staff by June 15, 2009.
Financial Integrity and State Manager's Accountability Act (FISMA) Compliant—Department prepared a 2007 FISMA report on the adequacy of the entity's systems of internal control and submitted a corrective action plan within 6 months	N	Did not submit their 2007 FISMA report.	6/1/2009 : CSD met with OSAE/DOF to discuss the 2009 FISMA on April 10, 2009. CSD will deliver a completed FISMA report for 2009 to DOF no later than December 30, 2009. OSAE/DOF agreed to rely on CSD's current BSA and OSAE audits to meet past FISMA requirements. OSAE/DOF will contact CSD prior to the 2009 FISMA due date to describe the new FISMA requirements.
ARRA review performed in April 2009 by Government Accountability Office (GAO)	N/A	GAO did not select the department for their review.	6/1/2009 : CSD recommends that this be changed to a "P." CSD met with GAO on 5/12/2009 to answer routine questions regarding the DOE ARRA funds. GAO stated that they would make occasional return visits to CSD and some local providers.

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Tracking system in place to address prior audit findings	Y	Tracking system is in place. 10 of 11 prior audit findings have been corrected and closed. Single Audit identified one finding, which was fully corrected.	
Submitted California Strategic Growth Plan - Bond Accountability Plans	N/A	Did not receive any California Strategic Growth Plan Infrastructure Bond funds. Therefore, a California Strategic Growth Plan was not required to be submitted.	
Grants Management and Accountability			
Recipient training	Y	Federal oversight agency offers webinars (mandatory requirement for grantees), CSD program and fiscal staff host quarterly meetings, audit staff conduct training on various topics (overhead calculation, internal controls, allowable costs, etc.).	
Competitive grants and fixed-price agreements	P	For HHLHC grants only four applicants applied, and all four were awarded some ARRA funding. For the CSGB and the WAP, the federal agency annually allocates to states based on a formula-based grant set in federal law, which is not competitive. No service contracts, thus fixed-price agreements are not applicable.	6/1/2009: CSD recommends this be changed to a "Y." The only ARRA funding subject to competitive grants is the Lead grant. CSD routinely conducts a statewide survey of interest and capacity to identify which local providers to specifically include in the competitive grant proposal to the U.S. Department of Housing and Urban Development. Local providers are also selected in part based on the incidence of lead exposure in children, as reported to the Department of Public Health. The federal award made to CSD is then distributed to those providers named in the proposal.
Grant agreements are clear, specific, and meet ARRA requirements. Such as, site visits, administrative costs, interest, progress reports, budgets, modifications, record retention policy, match, list of ineligible expenditures, notification of possible audit)	N	Waiting for specific guidance from their federal oversight agency on ARRA contract/grant agreement language that needs to be added to their standard agreements.	6/1/2009: CSD recommends this be changed to a "P." CSD has drafted all contracts to be issued upon receipt of expenditure authority for ARRA funds. All draft contracts include all terms and conditions stated in the federal ARRA award notice, all ARRA-related OMB guidelines and memoranda, and other directives and guidance issued by the State of California. Contracts also include language that bind local providers to federally-directed reporting or accounting requirements, based on any forthcoming federal ARRA guidance.
Measures in place to ensure contractors and grantees are paid within 30 days of invoicing	Y	Currently averages 2 weeks for payments to grantees after receiving the invoice.	

Expectation Met		Comments	10 Day Corrective Action Plan
Department is requiring specific ARRA required data elements to be tracked (jobs created/saved, project status info, etc.)	P	Waiting for guidance from their federal oversight agency. However, CSD is prepared to track existing program data required (number of homes weatherized, etc.)	6/1/2009 : CSD has amended its contracts to include known required data elements, plus language that binds local providers to federally-directed reporting or accounting requirements, based on any forthcoming federal ARRA guidance. CSD will enhance its data reporting processes to include all required federal data elements and consistent with efforts by the State OCIO to standardize and consolidate ARRA reporting.
Certification letters are required by applicant	P	Standard federal certifications are being used, but have not been revised to include ARRA specific language.	6/1/2009 : CSD has drafted its contracts to obligate the recipients of CSD's ARRA funds to comply with all the specific requirements that are unique to ARRA as well as the certifications existent in the standard contract agreements.
Coordinating with other entities for programs with similar goals and purpose to reduce duplication of funding	P	Coordination with California Energy Commission, California Public Utilities Commission, California Work Investment Board, Employment Development Department and California Department of Social Services. No specific guidance written in the agreements to minimize the risk of duplicate funding from various sources.	6/1/2009 : CSD recommends that this be changed to "Y." In March 2009, CSD entered into an MOU with the CPUC to coordinate the two major low-income energy efficiency programs in the state to avoid duplication of services. CSD is active on the Green Collar Jobs Council with other state-level agencies to provide leadership and assistance to local communities to maximize their ability to coordinate and leverage project and workforce development funding under ARRA. CSD is partnering with DSS to expand the number of eligible Californians that apply for the federal Earned Income Tax Credit.
Working with grantees to develop performance measures	N	Waiting for guidance from their federal oversight agency to determine performance measures.	6/1/2009 : CSD recommends that this be changed to "P." CSD already monitors and reports performance measures required by the CSBG, DOE WAP and Lead grants, and is updating its monitoring and data reporting systems to include the few additional ARRA-specific performance measures, including jobs created and sustained.

	Expectation Met	Comments	10 Day Corrective Action Plan
Performing risk assessments and/or audits on recipients awarded ARRA funds	Y	Reviewing prior audit reports and corrective action plans for all ARRA funded grantees. Grantees that are deemed high risk will be further evaluated and early desk audits conducted to ensure they will meet all ARRA requirements.	6/1/2009: CSD recommends that this be changed to "P." CSD has completed a review of audit findings for the DOE WAP and Lead grantees, and will complete its review of audit findings for CSBG grantees by June 15, 2009. Program monitoring reports are currently under review by all programs, and the network risk assessment will be complete by June 30, 2009.
Reporting Requirements			
Aware and prepared to track ARRA funds separately	Y	Aware of the requirement and stated they are able to separately track funding.	
Department is prepared to track and report on jobs created/saved	N	Waiting for guidance from their federal oversight agency.	6/1/2009: CSD recommends that this be changed to "P." CSD is updating its monitoring and data reporting systems to include additional ARRA-specific performance measures, including jobs created and sustained.
Established a communication method with the federal agency to transmit reporting data promptly	Y	Existing automated system is already in place.	
Mechanism in place to ensure all data is reviewed for accuracy prior to reporting	Y	CSBG subcontractors report data electronically, CSD manually aggregates the data. Field representatives and CSD program staff review data on a flow basis. Low Income Energy Assistance Program (LIHEAP) and Lead-based paint Hazard Control Program (LHCP) is validated on a flow basis, various metrics used to test for consistency. Regular and annual substantive review prior to reporting to the federal oversight agency.	

	Expectation Met	Comments	10 Day Corrective Action Plan
IT system prepared and capable of capturing required data elements	Y	Several existing automated systems in place capable of capturing the required data elements.	6/1/2009: CSD recommends that this be changed to "P." CSD already monitors and reports performance measures required by the CSBG, DOE WAP and Lead grants, and is updating its monitoring and data reporting systems to include the few additional ARRA-specific performance measures, including jobs created and sustained. CSD will enhance its information technology and other data collection processes to include all required federal data elements and consistent with efforts by the State OCIO to standardize and consolidate ARRA reporting.
Transparency			
Website is informative, clear, and user friendly	Y	Website is very informative, clear, and user friendly.	
Challenges Identified by Department			
During the readiness interview, department staff identified concerns		High likelihood that Davis-Bacon Act will apply to the WAP program. Significant risks identified: (1) Higher salary costs will reduce the number of homes that can be weatherized, (2) Political/Policy issues will disrupt state and local implementation of the WAP, (3) Organized labor will impact sub-grantee operations and capabilities, (4) CSD has no prior experience implementing the requirements of the Davis-Bacon Act due to existing exemption, (5) Potential for labor related lawsuits for the CSD or their sub-recipients.	CSD is taking a leadership role to develop a framework for the implementation of the federal prevailing wage standard for weatherization jobs in California, even while awaiting the specific wage determination from the U.S. Department of Labor. While awaiting the federal determination, CSD is collaborating with other state agencies and statewide stakeholder groups to develop a statewide framework for implementing prevailing wage in a manner that benefits the outcomes of the DOE WAP program, the workers with whom the local providers hire or subcontract, and the emerging green collar economy in California. CSD will build its capacity by obtaining training and technical assistance from a labor and prevailing wage expert, and developing a "toolkit" to assist local providers with implementing the federal prevailing wage standard in compliance with all relevant labor laws.

	Expectation Met	Comments	10 Day Corrective Action Plan
		CSBG provides \$90 million in ARRA funding but does not provide any funds for administrative cost. CSD is concerned about how they will be able to provide oversight, administration, and audit coverage without the funding for admin costs they normally receive (typically 5 percent of federal grant amount).	CSD has a long history of meeting all of its program and fiscal responsibilities on a very limited administrative budget, and leverages the administrative funds from all of its programs to maximize the efficiency of shared business processes including fiscal management, monitoring, information technology and business services.

Tickmarks:

Y = Yes. The expectation is being met.

P = Partial. The expectation is being partially met.

N = No. The expectation is not currently being met.

N/A = Not applicable.